PORTUGAL FINLAB
WHERE REGULATION MEETS INNOVATION

PORTUGAL **FINLAB** REPORT

5th EDITION

ASF AUTORIDADE DE SUPERVISÃO DE SEGUROS E FUNDOS DE PENSÕES

BANCO DE PORTUGAL EUROSISTEMA

CMVM COMISSÃO DO MERCADO DE VALORES MOBILIÁRIOS

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01.

PORTUGAL FINLAB
OVERVIEW

Portugal FinLab serves as a key communication channel between financial sector innovators, including start-ups and incumbent institutions, and Portugal's financial competent authorities: Autoridade de Supervisão de Seguros e Fundos de Pensões (ASF), Banco de Portugal (BdP), and Comissão do Mercado de Valores Mobiliários (CMVM). By working together, the Authorities provide participants with a clear and integrated framework to operate within the Portuguese financial regulatory system. This initiative is designed to foster a more supportive environment for the inception, development, and growth of FinTech businesses and projects, addressing the global expansion of the sector.

The 5th edition of Portugal FinLab occurred from January to September 2024. After the application period closed in February 2024, 10 projects were selected to participate in the "pitch days" in the following month. These pitch days provided candidates with the opportunity to present their projects to the Authorities and raise any regulatory questions they had.

Following the pitch days, four projects were selected for an in-depth analysis of regulatory factors that could potentially impact or hinder their implementation. For these projects, the Authorities provided a comprehensive support through detailed reports, which were delivered to the participants in July. These reports offered non-binding opinions reflecting the Authorities' views on the regulatory challenges identified by the participants, highlighting any obstacles or critical points within the context of Portuguese law and regulations.

In September, closing meetings were held with the participants, giving the Authorities the opportunity, as usual, to gather feedback on the program, discuss the next steps for each project, and clarify any questions related to the interpretation of the report content. For the remaining projects, the pitch days either directly clarified their regulatory concerns, revealed that their queries would be better handled by Authorities in other sectors, or initiated further bilateral discussions with the relevant Authorities.

The 5th edition confirmed the strength of this initiative, while remaining true to its core mission of connecting financial authorities with technology-driven innovation in the financial sector. Since its launch in 2018, Portugal FinLab has received 127 applications across its five editions, highlighting the initiative's success and appeal within the FinTech market. The value of Portugal FinLab is evident in both the figures and the participant testimonials found throughout this report, as well as in the reports from previous editions.

In addition, the expertise that Authorities gain with this interaction with participants is crucial for their knowledge in FinTech matters as well for the preparation for the various European legislative acts related to digital finance, which will soon be applicable.

02.

5th EDITION NUMBERS

TIMELINE

The 5th edition of Portugal FinLab was launched on the 13th of January, with a one-month period for the submission of applications. Following the notification for the pitch day in February and the pitch of the candidates being presented to the Authorities in March, the four participants were announced in April and their respective reports delivered in July. This edition was concluded in September, after the closing meetings with the participants.

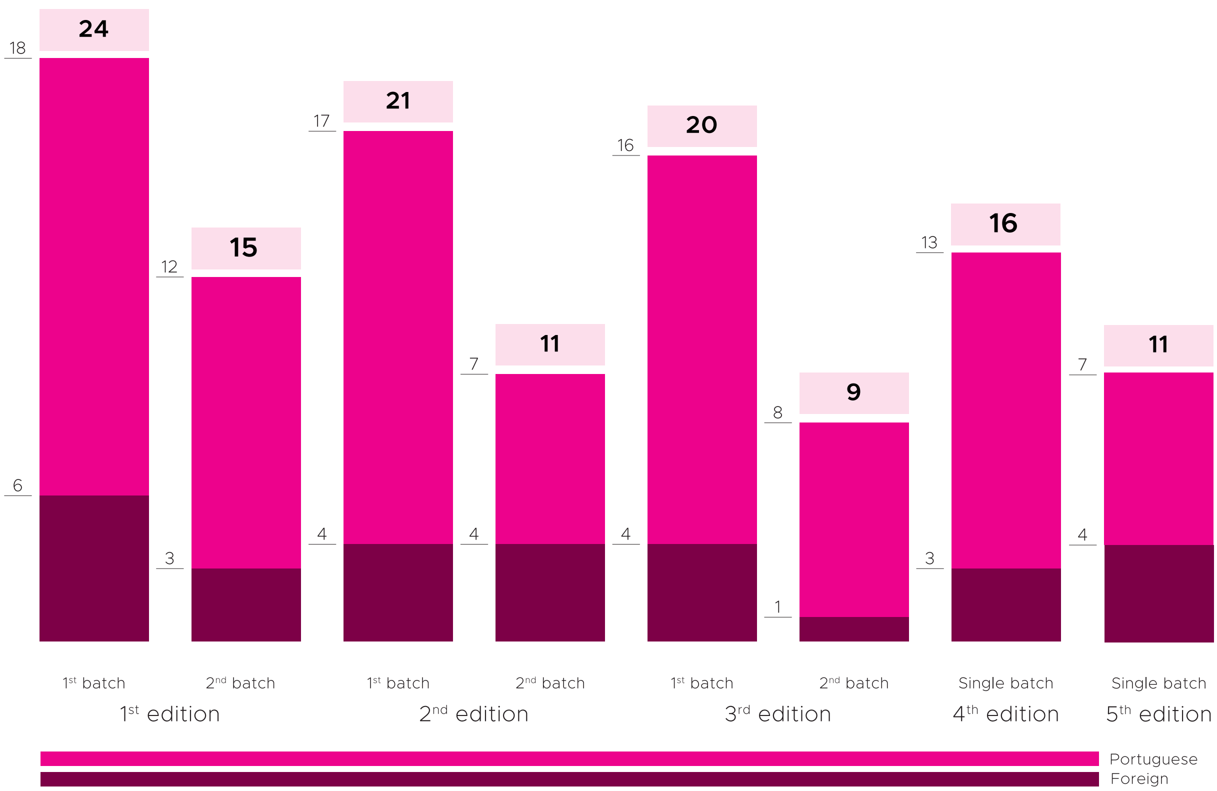
APPLICATIONS OPENING	APPLICATIONS CLOSING	NOTIFICATION FOR PITCH DAY	PITCH DAY PRESENTATIONS	PARTICIPANTS ANNOUNCEMENT	REPORTS	CLOSING MEETINGS
15th Jan. 2024	23rd Feb. 2024	12th Mar. 2024	26th Mar. 2024	19th Apr. 2024	22nd & 31st Jul. 2024	20th Sep. 2024

RELEVANT STATISTICS

This 5th edition received 11 applications, showing a slight reduction when compared with the 4th edition (16 applications).

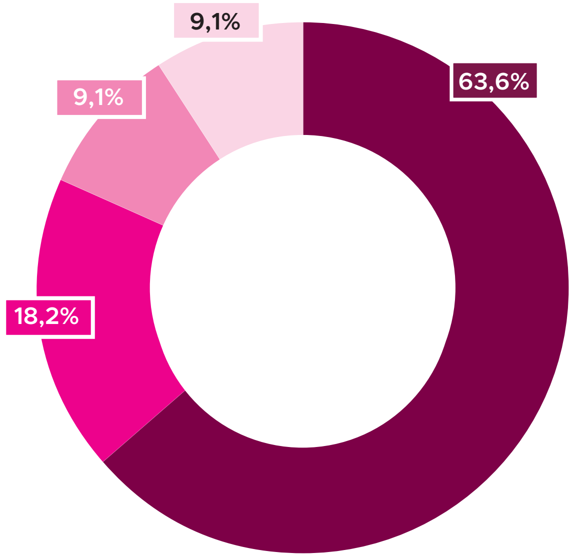
As with previous editions, most applications came from Portuguese entities (64%), though a significant number of submissions were also received from international applicants. This highlights Portugal's increasing prominence as a FinTech hub, attracting both domestic and global interest in the sector.

Number and origin of applications



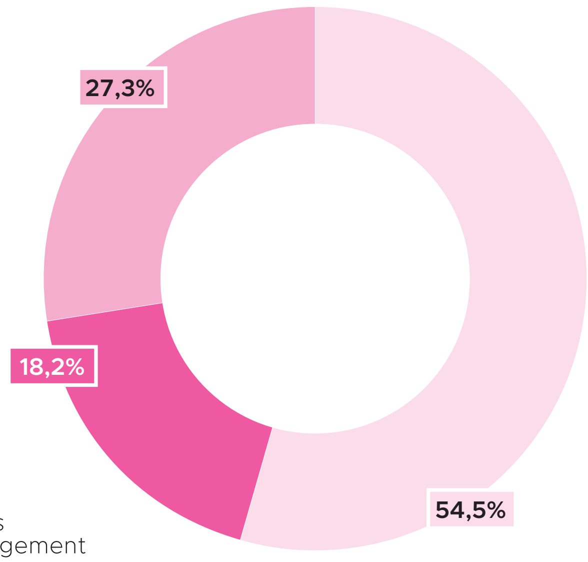
Applications by stage of development

As usual, most of the applications were in a '"Pre-seed" stage of development, with seven applications, representing 64% of the total. "Seed" was only represented by two applications and "Early Stage" and "Growth" accounted for one application each.



Applications by activity sector

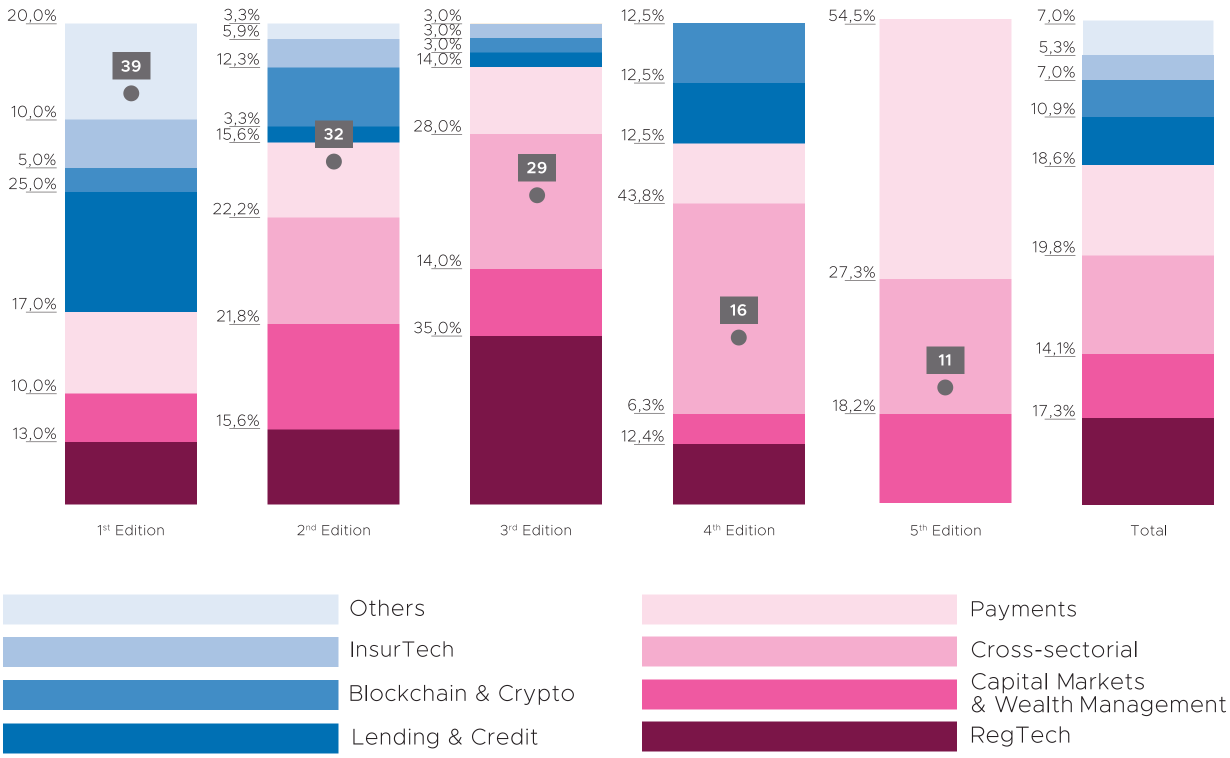
In the 5th edition, "Payments" projects were the most prominent with six applications (more than 50% of the total), followed by the "Cross-sectorial" projects (three applications), and by "Capital Markets and Wealth Management" (two applications).



Considering all the editions so far (127 applications), "Cross-sectorial" and "Payments" are the most relevant activity sectors (25 and 24 applications, respectively).

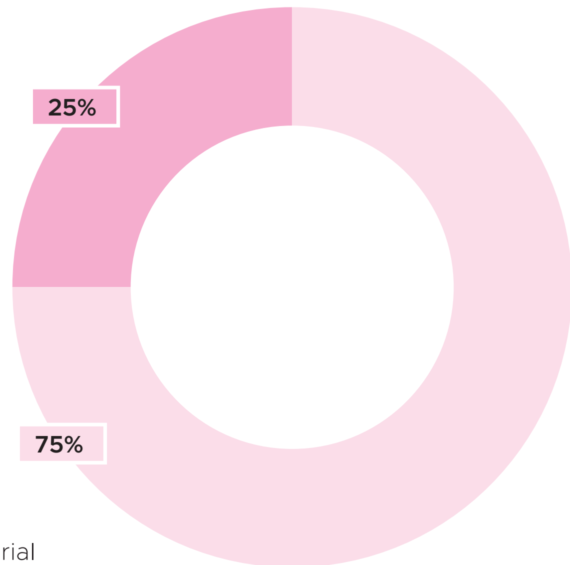
When compared with the previous edition, "Payments" was the sector that grew the most (42 p.p.), followed by "Capital Markets and Wealth Management" (12 p.p.). Contrary to the usual trend, the "Cross-sectorial" projects have shown a decrease for the first time.

Applications by activity sector



SELECTED PROJECTS

For the 5th edition of Portugal FinLab, Authorities selected four projects for analysis. Three of these were from the most representative sector, "Payments", and the remaining one from "Cross-sectorial", as it involved the areas of capital markets and factoring.

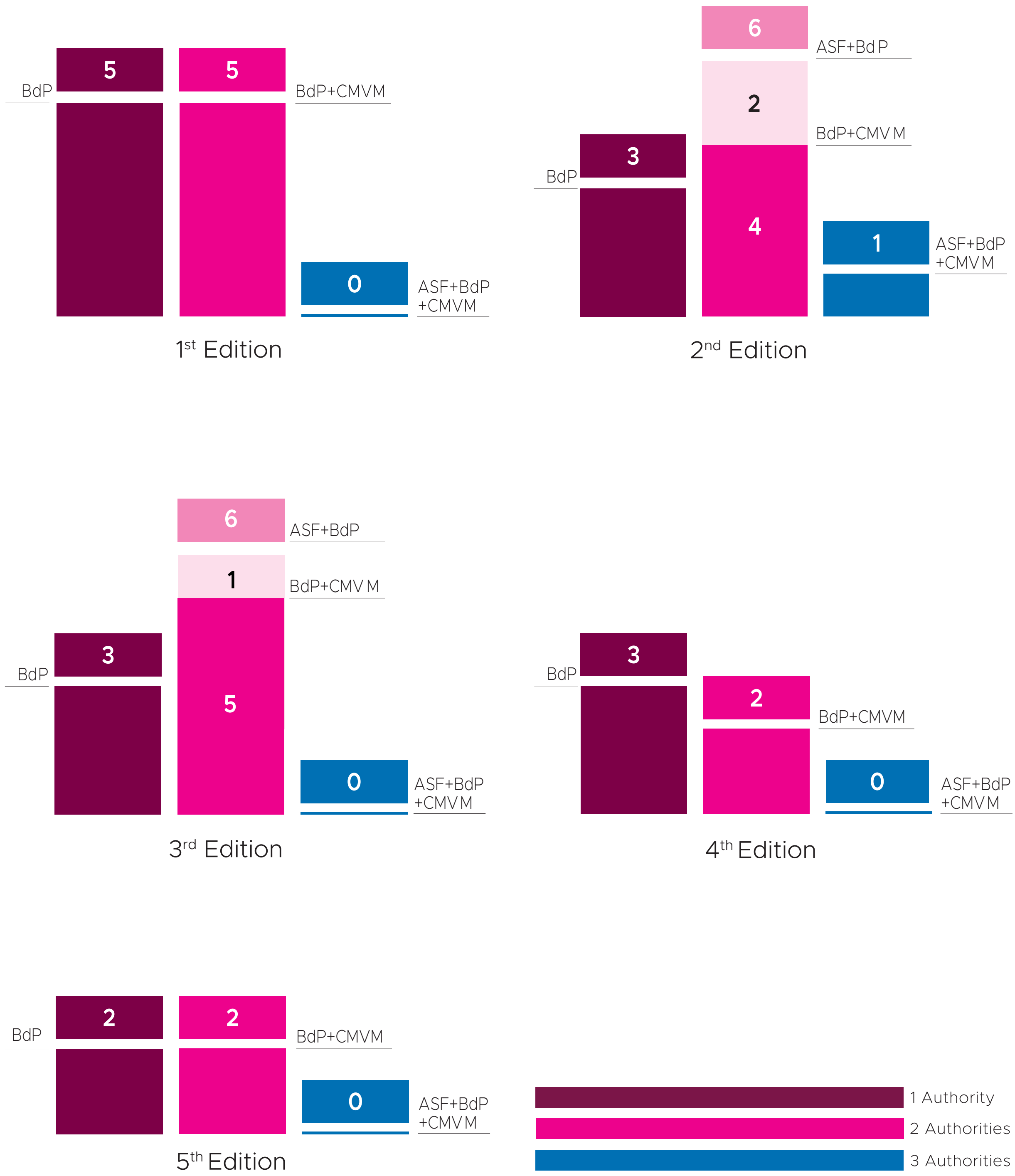


Payments

Cross-sectorial

As to the Authorities involved, two of the selected projects were assessed jointly by BdP and by CMVM, and the other two by Banco de Portugal.

Number of projects assessed by Authority



03.

PARTICIPANTS
FEEDBACK

DREXFY


ETTORE DE LACERDA ARPINI


GUILHERME LIMA


HUGO CAUMO

DESCRIPTION OF THE PROJECT

DREXFY specializes in tokenizing securities and has created a blockchain platform which streamlines issuance and settlement, connecting Brazilian originators with European investors. It offers an efficient solution for tokenizing and trading real-world assets, optimizing the process from origination to investment.

PARTICIPATING IN PORTUGAL FINLAB

DREXFY's journey with Portugal FinLab has been transformative. As pioneers in securities tokenization, we recognized the program's reputation for fostering innovation in the Fintech space. The insights gained from direct interactions with Banco de Portugal and CMVM have been invaluable, guiding us to build a robust, compliant platform that bridges Brazilian credit markets with European investors. This experience has reinforced our commitment to create a secure, transparent, and efficient tokenization platform that adheres to the highest regulatory standards.

Established
January 2024

Headquarters
Lisbon

Offices and Countries where operates
Portugal and Brazil

Target Clients
FinTech
Asset Managers and Funds

Website
www.drexfy.com

GNOSIS PAY

FRIEDERIKE ERNST

MARTIN KOPPELMANN

STEFAN GEORGE

DESCRIPTION OF THE PROJECT

GNOSIS PAY is a decentralized payment network launched by Gnosis, integrating blockchain technology with traditional financial systems. It allows users to spend their cryptocurrency directly from self-custodial wallets at any merchant that accepts Visa.

Built on the Gnosis Chain it offers fast, low-cost transactions and bridges the gap between on-chain digital assets and off-chain payments. Gnosis Pay is particularly appealing to users who want greater control over their crypto assets, as it combines blockchain security with the convenience of everyday spending through the Visa network.

PARTICIPATING IN PORTUGAL FINLAB

We have heard about the program from the local fintech and crypto entrepreneurial ecosystem. Feedback provided is that the program is ideal to get first interactions and feedback from all relevant regulators to our business.

Given the innovative and breakthrough approach of our business to the financial rails and payments infrastructure, we knew that this program was a "must go" and it definitely did work as a sounding board. Actually, we can say the goal was superseded as, in the final report, the business description was one of the best we have yet read. This not only means our pitch is effective, but the program's team understood it perfectly.

The outputs were of the most critical importance to adjust our business strategy and define next steps. Since the business is already operating under partnerships this program totally provided a clearer path for which licenses we should apply to.

Established
July 2023

Headquarters
London

Offices and Countries where operates
London, Lisbon, Boston, São Paulo

Target Clients
B2C – web3 natives
B2B2C – WEB3
B2B – traditional financial institutions and service providers

Website
www.gnosispay.com

MONEYDOG

ANDRE RAMOS

LEWIS CROSS

DESCRIPTION OF THE PROJECT

MONEYDOG’s mission is to spread financial literacy as most children never receive a financial education, which can have lifelong negative impacts.

MoneyDog looks to solve this by building a financial education ecosystem. For schools, the MoneyDog Academy helps to empower teachers to teach. For parents, the MoneyDog App helps to provide the tools they need to give their children a financial education.

PARTICIPATING IN PORTUGAL FINLAB

We heard about Portugal FinLab through the Fintech House, who we were a part of. We wanted to participate as there were a number of complex legal questions we needed answers to and what better way to do that then talk to the responsible authorities directly?

The process was smooth, communication was clear and most importantly we were provided with clear clarifications for all our queries. Additionally, it gave us a far clearer scope on what we would need to build on the product side to stay compliant. We now have a precise set of guidelines for multiple scenarios when we come to launch our card program.

Established
February 2024

Headquarters
Lisbon

Offices and Countries where operates
N/A

Target Clients
Parents with children between 6-16 with the MoneyDog App and Schools, from grade 1-12, with the MoneyDog Academy

Website
www.moneydog.eu

REIN NETWORK

GUILHERME NUNES

GUSTAVO REZENDE

MIGUEL LUCAS

DESCRIPTION OF THE PROJECT

REIN is a network-as-a-service company that enables instant cross-border payments by connecting domestic payment rails. Our unique value proposition involves transferring information and value on a permissioned distributed ledger using tokenized government bonds.

Rein Network serves both as an international payment rail and liquidity provider, bypassing the need for costly and complex correspondent banking relationships across multiple jurisdictions.

PARTICIPATING IN PORTUGAL FINLAB

We heard about Portugal FinLab through our participation in the Fintech House Scholarship 2024.

We decided to participate because it provided a unique opportunity to engage directly with Banco de Portugal, which was critical for our project's development and regulatory alignment.

Our participation was highly beneficial. Having a direct line of communication with regulators allowed us to clarify regulatory requirements and better understand the necessary steps for market entry. Particularly, engaging closely with Banco de Portugal helped resolve doubts regarding our go-to-market strategy, specifically concerning compliance and regulatory needs, which has given us confidence in moving forward with our project.

Established
2023

Headquarters
London

Offices and Countries where operates
In development

Target Clients
Banks, Financial Institutions and SMEs

Website
www.rein.network

04.

ORGANISERS
INSIGHTS ON OPEN FINANCE

MANUEL CALDEIRA CABRAL
Board Member at ASF

TRANSFORMING THE INSURANCE LANDSCAPE?

In recent years, the concept of open insurance has gained significant traction within the financial services industry. Open insurance refers to the practice of sharing insurance-related data among various stakeholders, including insurers, third-party service providers, and consumers, typically using Application Programming Interfaces (APIs). This paradigm shift aims to foster innovation, enhance consumer protection, and improve market efficiency.

Open insurance is inspired by the open banking model, which has revolutionised the financial services industry by promoting competition and innovation through data sharing and does not have a universally accepted definition. However, the European Insurance and Occupational Pensions Authority (EIOPA) broadly defines it as the access to and sharing of personal and non-personal insurance-related data, usually via APIs. This data sharing can lead to the development of new products and services, improved risk assessment, and enhanced customer experiences.

BENEFITS OF OPEN INSURANCE

The potential benefits of open insurance are significant. For consumers, it offers greater transparency and convenience. By allowing consumers to access and share their insurance data, open insurance can facilitate easier comparison of insurance products and services, leading to more informed decision-making. Additionally, it can enable the development of personalised insurance products tailored to individual needs and preferences.

For insurers, open insurance can drive innovation and operational efficiency. Access to a broader pool of data can enhance risk assessment and underwriting processes, leading to more accurate pricing of insurance products. Moreover, it can foster collaboration with third-party service providers, such as InsurTech companies, to develop innovative solutions and improve customer experiences.

From a regulatory perspective, open insurance can enhance supervisory capabilities. By leveraging data analytics and technology, regulators can gain deeper insights into market trends and consumer behaviour, enabling more effective oversight and timely interventions.

CHALLENGES AND RISKS

Despite its potential benefits, open insurance also presents several challenges and risks. One of the primary concerns is data security and privacy. The sharing of sensitive insurance-related data raises the risk of data breaches and cyberattacks. Ensuring robust data protection measures and compliance with regulations, such as the General Data Protection Regulation (GDPR), is crucial to mitigate these risks.

Interoperability is another significant challenge. The lack of standardised data formats and APIs can hinder seamless data exchange between different stakeholders. Developing common standards and protocols is essential to ensure interoperability and facilitate the widespread adoption of open insurance.

Additionally, open insurance may give rise to ethical and consumer protection issues. The use of advanced data analytics and algorithms in insurance decision-making processes can lead to potential biases and discrimination. It is important to establish clear guidelines and safeguards to ensure fairness and transparency in the use of data.

OPEN INSURANCE IN PORTUGAL

The adoption of open insurance in Portugal is expected to enhance transparency and competition in the market, benefiting both consumers and insurers.

It is important that the implementation of open insurance in Portugal aligns with European standards and best practices, while also addressing local market needs and challenges.

In this regard one of the key areas of focus should be data protection and privacy. Ensuring that consumer data is securely shared and accessed is paramount to building trust in open insurance.

In addition to regulatory efforts, the Portuguese insurance industry is also witnessing increased collaboration between traditional insurers and InsurTech companies.

FUTURE OUTLOOK

The future of open insurance in Portugal and across Europe holds immense potential for transforming the insurance industry. As technology continues to evolve, the availability and use of data will play a pivotal role in shaping the future of insurance. Open insurance can pave the way for more personalised and customer-centric insurance products, improved risk management practices, and enhanced regulatory oversight.

However, realizing the full potential of open insurance requires a collaborative effort from all stakeholders, including insurers, regulators, and consumers. It is essential to strike a balance between innovation and consumer protection, ensuring that the benefits of open insurance are realised while mitigating its associated risks.

In conclusion, open insurance represents a significant step towards a more transparent, efficient, and innovative insurance market. By embracing data sharing and collaboration, the insurance industry can unlock new opportunities for growth and better serve the needs and protection of consumers in an increasingly digital world.

LUÍS MORAIS SARMENTO
Board Member at Banco de Portugal

FROM OPEN BANKING TO OPEN FINANCE

Open finance is not a new concept.[1] The idea that entities providing financial services share the data they hold on their customers with other entities, in order to integrate these financial services among themselves and with others, has been around for over 10 years, when the European Commission first came forward with its proposal on a revised Payment Services Directive (PSD2)[2] that enabled a form of Open Finance for the payments sector, known as Open Banking. According to public data, most jurisdictions implemented the PSD2[3] in their national jurisdictions, effectively enabling the sharing of payments data (through AISP — Account Information Service Providers) and the initiation of payments on behalf of the user (through PISP — Payment Initiation Service Providers).

However, Open Banking never really had the huge impact that policy makers expected, at least in the European Union. The existing figures[4] show that there are 121 Account Information Service Providers (AISP) registered, while the number of payment and e-money institutions stands at a significant 1283 in total, and that there are no major FinTech strongly investing in this area nor incumbent banks

1 OECD (2023), Shifting from Open Banking to Open Finance: Results from the 2022 OECD survey on data sharing frameworks, OECD Business and Finance Policy Papers, OECD Publishing, Paris https://doi.org/10.1787/9f881c0c-en

2 EUR-Lex - 02015L2366-20240408 - EN - EUR-Lex (europa.eu)

3 OECD (2023), Open finance policy considerations, OECD Business and Finance Policy Papers, OECD Publishing, Paris, https://doi.org/10.1787/19ef3608-en

4 EUCLID — Register (europa.eu)

with relevant projects and proven success. Most banks have adapted to the regulatory requirements with only a few taking further steps, some FinTechs created the financial management mobile application space, but Open Banking never truly delivered on its promise to liberalize payments customer data.

A new proposal[5] by the European Commission published on 28 June 2023 aims to change this status quo. The financial data access and payments package, as it is called, promises to solve the issue of poor adoption of Open Banking, by broadening the scope of services, areas and entities covered. The package has two main legs: a revised Payment Services Directive (PSD3) and a new Payment Services Regulation (PSR); and a new Regulation on a framework for Financial Data Access (FiDA). The first one intends to overcome the issues identified in the almost ten years of PSD2 application. The second one introduces a new scope for data sharing.

Regarding the PSD3/PSR package, the proposal published by the European Commission recognizes that the “open banking framework functions imperfectly” and that “open banking service providers face obstacles to offering basic open banking services and find it harder to innovate and compete with incumbent players such as cards schemes”. To overcome these inefficiencies, the proposal foresees changes to the current framework, such as making the offer of a dedicated interface mandatory and further detailing the technical requirements of such interfaces.

The proposed FiDA, in turn, envisages widening the scope of financial data accessible by third party providers to “banking” data other than payments, but also to insurance and investment related activities, effectively replacing the “Banking” by “Finance” in the ”Open” space.

For Open Finance to deliver on its potential, policies are crucial — academics[6] and industry agree.[7]

At the Banco de Portugal we share the goals and concerns put forward by the European Commission. We believe that enabling an effective, safe, and transparent ownership over the data that customers hold with their financial services providers is key for protecting banking customers, promoting a smooth functioning of the payment systems, and ensuring financial stability. We will continue the collaboration with the EU agencies as necessary to bring these proposals forward and work together with the local market participants to ensure a timely implementation.

Moreover, the Banco de Portugal has been working on the legal and regulatory framework for Embedded Finance. This refers to offering Open Finance services alongside non-financial services, such as accounting, legal support, or energy distribution. In the EU, where the single market plays a significant role, Embedded Finance presents both high business potential and considerable risks to the financial system. And for regulators, it also raises concerns regarding the level playing field across entities and Member-States. To address these risks and concerns, the Banco de Portugal has created an internal working group to explore the issue and to advocate for a new regulatory framework that ensures fair competition among entities and Member States while fostering innovation.

5 Financial data access and payments package - European Commission (europa.eu)

6 Discussion on Open Finance: From Regulatory Diffusion to Industry Transformation - Florence School of Banking and Finance (eui.eu)

7 Suade Labs - Suade CEO shares insights at Eurofi; How Open Banking will Enable Embedded Finance (finextra.com)

INÊS
DRUMOND

Vice Chair at CMVM

WHAT ROLE CAN OPEN FINANCE PLAY IN CAPITAL MARKETS AND THE CMU?

One of the main objectives of Open Finance is the development of better, more personalised and accessible financial products and services for customers, while improving the efficiency of commercial transactions between firms. This is expected to be achieved by enhancing data sharing and transparency, which will be key to fostering a more integrated and efficient financial system in the EU.

As part of its Digital Finance Strategy, the European Commission proposed a FiDA on 28 June 2023. This legislative proposal envisages responsible data sharing to prevent anti-competitive behaviour among data holders and establishes clear rights and obligations for managing customer data sharing in the financial sector beyond the payment services market.

By reducing information asymmetry and fostering competition, FiDA should promote more efficient and dynamic financial markets. Small and Medium Enterprises (SMEs) should also benefit from improved access to financial data, which can facilitate their access to funding opportunities and support their growth. Additionally, the expansion from open banking to open finance should also provide customers with a holistic view and management of their finances, enabling more personalised financial advice and services.

ROLE OF OPEN FINANCE IN THE CAPITAL MARKETS

Capital markets thrive on standardisation and FiDA aims precisely to establish data standardisation to ensure easy data sharing and processing across different platforms and jurisdictions. This supports market participants, such as traders and analysts, in integrating financial data into their workflows more efficiently, thereby improving decision-making.

Open finance can also increase customers' satisfaction in their relationship with financial intermediaries by allowing the latter to offer more personalised products and services. This can promote customer loyalty and retention, as well as the opening up of new segments and markets for financial intermediaries. Examples include dynamic pricing, individual advice, and automated execution.

However, it is also important to consider that as data sharing increases, so does the risk of data breaches and cyberattacks. As such, convincing investors to trust and adopt open financial services can be challenging, especially if they are concerned about data privacy and security. Therefore, it is critical to ensure that robust security measures are in place to protect sensitive financial data and boost investor confidence.

ROLE OF OPEN FINANCE IN THE CMU

The Capital Markets Union (CMU) seeks to create a unified capital market in Europe, making it easier for businesses to raise capital, including across borders, and to remove the barriers to retail investors savings via the capital markets by promoting their trust. One of its main objectives is to diversify financing sources for EU enterprises, particularly the most innovative and fastest-growing ones, and to better align savings and investment across the Union, providing savers with better long-term investment opportunities.

FiDA supports the CMU by promoting a standardised system for financial data sharing across countries. This enables investors and financial institutions in different EU Member States to access and use consistent financial data. A customer-centric approach based on standardised data should make it easier for investors to analyse opportunities and risks in financial products and services available in different jurisdictions, and for businesses to raise capital in multiple markets.

Open finance should also enhance investor decisions by providing access to more comprehensive and real-time financial data. This should, in turn, play a role in ensuring that retail investors have easy access to a range of suitable and cost-effective investment products and to affordable and independent advice (as envisaged by the CMU).

In addition, the availability of standardised financial data across the EU should reduce information gaps between market participants, improving price discovery and market efficiency. Investors should have access to a wider range of financial data on companies, credit ratings, and financial instruments, leading to better-informed investment decisions and more efficient resource allocation.

Broader and easier access to financial data may also help supervisors to better monitor capital markets and identify risks, including those related to market manipulation or fraud. This will strengthen the integrity of EU capital markets and promote a stable investment environment in line with the CMU's objectives.

Moreover, the CMU aims to promote financial innovation and the development of new financial products and services that meet the needs of investors and businesses. For its part, FiDA is expected to support innovation by opening financial data to third-party service providers, including FinTech companies, who can use these data to develop innovative financial services.

Notwithstanding, financial institutions may also face costs in integrating new systems and processes to comply with open finance standards. In this context, they should thus start preparing themselves for operational and business models that facilitate and leverage on a more data-driven approach.

Ultimately, the relationship between open finance and financial innovation is symbiotic. Open finance unlocks access to financial data, fostering innovation and competition. Financial sector players may, in turn, create cutting-edge products and services that expand accessibility and drive the financial sector into the future.

05.

EUROPEAN COMISSION
AI IN THE FINANCIAL SECTOR

ALICE GUEDEL
Policy officer in the digital finance unit, DG FISMA, European Commission

Artificial Intelligence (AI) has significantly transformed the financial services sector, creating both unprecedented opportunities and new risks. As AI algorithms have matured, financial institutions are using this technology to enhance efficiency, reduce costs, and improve customer experience. Currently, AI tools are deployed in various sectors of financial services, including credit scoring, insurance, risk assessment, fraud detection, and wealth management. AI's ability to analyse vast quantities of data quickly enables firms to make more informed, data-driven decisions, enhancing precision and reliability. With the advent of general-purpose AI, the sector has entered a new era, amplifying both its potential and the need for prudent regulatory oversight.

The integration of AI into financial services could bring many opportunities, notably in operational efficiencies and client engagement. AI could enable financial institutions to automate routine tasks, such as data entry, document verification, and customer support, which could reduce operational costs. In fraud detection, machine learning models can help detect irregular transactions in real time, which could significantly improve security. AI-driven customer service chatbots could also enhance the customer experience by providing instant responses to routine inquiries. In wealth management, robo-advisors using machine learning to provide personalised investment advice, could enable greater accessibility and affordability of financial planning services. The shift towards personalisation is particularly significant, as AI may help financial institutions to provide services tailored to individual client profiles and risk tolerances.

However, the application of AI could also introduce a range of risks. AI models, especially those based on deep learning, are often complex and opaque, leading to the phenomenon known as the "black box" problem. This opacity can create compliance and ethical concerns, as financial firms may struggle to explain or justify AI-driven decisions to clients or regulators. Additionally, AI models are vulnerable to biases in the data they are trained on, which can result in discriminatory outcomes. The use of AI in credit scoring, for example, may unintentionally reinforce existing socioeconomic inequalities. Moreover, the increasing reliance on AI exposes financial institutions to cyber risks, as malicious actors may attempt to exploit algorithmic vulnerabilities.

General purpose AI, which encompasses models that create content such as text, images, and even code, has introduced further transformative possibilities within financial services. Banks and other financial entities can use generative AI to produce more nuanced customer insights and enhance fraud detection by simulating potential threat scenarios. However, general purpose AI also introduces unique risks, particularly concerning misinformation. Generated content can be convincingly real, which poses a threat in areas like market manipulation or social engineering attacks. This duality of potential benefits and risks underscores the need for financial institutions to approach general purpose AI with a robust governance framework that emphasises transparency and accountability.

In Europe, regulatory bodies have adopted a proactive stance on AI, including within certain areas of financial services, through legislative measures such as the AI Act. Effective from August 1, 2024, the AI Act aims to categorise AI applications by their associated risks, imposing stricter requirements on high-risk uses, such as those in credit scoring and insurance. This risk-based framework ensures that AI applications impacting individuals' financial well-being adhere to rigorous standards for transparency, accuracy, and data security. This AI-specific framework complements the broader EU financial services acquis, which generally governs the provision and use of various financial services. In a targeted consultation on AI in finance published by the European Commission in July 2024, a dedicated section focuses on evaluating AI deployment in finance to identify areas where additional regulatory clarity and supervision may be required. Furthermore, the European Supervisory Authorities (ESAs) and the European Central Bank (ECB) have issued guidance on AI governance, underscoring the need for firms to establish clear accountability, conduct regular audits, and uphold data quality standards.

In conclusion, AI presents transformative opportunities for financial services, heralding the potential of gains in efficiency, security, and personalisation. However, it also brings significant risks, including challenges related to transparency, bias, and cybersecurity. General purpose AI has introduced novel applications and heightened the need for vigilant oversight. The future of AI in financial services will thus be shaped by a careful interplay between technological advancement and regulatory prudence, ensuring that the financial industry remains a safe and equitable domain for all.

06.

PORTUGAL FINLAB
6TH EDITION

Since 2018, Portugal FinLab has established itself as a vital platform for facilitating open communication and collaboration between regulatory authorities and organisations driving financial technology innovation. The initiative provides essential guidance, helping participants navigate regulatory uncertainties and ensuring compliance with evolving legal frameworks. By offering this support, Portugal FinLab plays a critical role in helping innovators confidently bring their projects to market, even amid a rapidly changing regulatory landscape.

The success of Portugal FinLab's editions, highlighted by participant testimonials, underscores its significant impact. Direct interaction with the Authorities has proven particularly valuable, enabling participants to refine and adjust their projects with greater assurance. The collaborative structure of Portugal FinLab, involving the coordination of the three financial supervisors, has been instrumental in addressing the challenges posed by complex, cross-sectorial projects that demand a unified regulatory approach.

While the effectiveness of Portugal FinLab is clear, the Authorities recognise the need for ongoing adaptation in the rapidly evolving FinTech landscape. To this end, a comprehensive review is regularly conducted, incorporating feedback from participants, internal staff, and other relevant market entities.

This assessment has prompted some refinements for upcoming editions of the program. One key change is the simplification of the application process. Just like this edition, the upcoming 6th edition, set for 2025, will feature a single application cycle to streamline and enhance focus, based on insights from previous editions where the first batch received the majority of submissions.

Looking ahead, the Authorities are committed to regularly reassessing Portugal FinLab's role in supporting FinTech innovation. This commitment to continuous improvement will ensure that the initiative remains adaptable, relevant, and effective.